



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/2/2001

GAIN Report #TW1035

Taiwan

Retail Food Sector

Recent Trends and Developments in Food Retailing 2001

Approved by:

Stan Cohen, Director, ATO Taipei

American Institute in Taiwan

Prepared by:

Amy Hsueh, Marketing Specialist

Report Highlights:

With the explosive growth in the number of convenience stores, supermarkets, and hypermarkets in Taiwan, food retailing has entered a new era--strong competition, mergers, and greater concentration. Convenience stores, supermarkets, and hypermarkets now account for 57 percent (US\$11 billion) of Taiwan's total food sales. The market share of these modern outlets will continue to rise over the coming years.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei ATO [TW2], TW

Executive Summary

Summary

Modern western-style retail stores have been present in Taiwan for more than twenty years. With the explosive growth in convenience stores, supermarkets, and hypermarkets, food retailing in Taiwan has entered a new era--strong competition, mergers and greater concentration.

According to statistics from the Ministry of Economic Affairs, convenience stores, supermarkets, and hypermarkets currently account for 57 percent, or US\$11 billion, of Taiwan's total food sales. The market share of these modern food outlets is projected to continue to rise over the next few years.

In general, Taiwan's supermarkets, hypermarkets, and convenience stores purchase from local importers, wholesalers, and manufacturers. However, the current tendency is to increase the volume of direct imports to avoid the higher cost of products purchased from importers and local manufacturers. U.S. suppliers interested in expanding their business with these retail chains are encouraged to contact them directly.

With Taiwan expected to join to the World Trade Organization (WTO) in the near future, imports of food products will be liberalized. While Taiwan will most likely import more food products, competition will intensify as suppliers seek a larger share of this growing market.

I. Market Entry

Direct - The best method to reach Taiwan's retail buyers is to initially contact them directly via e-mails or faxes. Product catalogues and price lists are essential. Sample products are very helpful. U.S. suppliers can obtain a list of major Taiwan retail stores from the ATO, Taipei.

Indirect - U.S. companies may wish to concentrate on establishing their business relationships with a reliable and efficient importer and distributor, who in turn will sell the imports to these retail stores. The ATO Taipei maintains listings of potential importers for U.S. suppliers.

A visit to Taiwan is an excellent way to start to establish a meaningful relationship with potential Taiwan buyers. U.S. suppliers are encouraged to bring product samples to Taiwan to provide to potential buyers as many importers and retailers rely heavily upon subjective factors when deciding on new products to represent.

On Line Purchasing - Some retail chains, especially those with foreign joint venture partners such as Carrefour and RT Mart, currently purchase on line a very limited group of product items.

Imported Processed Foods Taiwanese buyers in retail stores tend to buy and import directly those products that are already well-known in the market. The reason according to purchasing managers is that they do not want to risk trying out a new product. Instead, stores prefer to buy new-to-market imported products from local suppliers. A trend for supermarkets/hypermarkets is to begin importing directly from a consolidator who can arrange one consolidated shipment for a variety of new and/or already in-the-market products. However, purchasing managers of these

Taiwan retail stores state that they welcome offers with market potential from any reliable and dependable supplier. Carrying a wide variety of high quality products and new-to-market products is regarded as crucial to the profitability of a store. Industry sources estimate that currently up to 98% of imported processed foods are imported through importers. Direct imports by retail stores is anticipated to continue to increase.

The average age of customers of convenience stores in Taiwan is around 20. More shelf space is now allocated to trendy and fashionable products especially products in small and attractive packaging. This reflects the targetting of younger consumers. Also, the number of frozen, microwaveable, and other fast foods carried is increasing in these convenience stores.

Imported Unprocessed Foods

-- Fresh fruits: Industry sources estimate that approximately 15 percent of imported fresh fruit is now imported directly by supermarkets, hypermarkets, and warehouse stores. The remaining 85 percent is imported by importers/distributors. Direct import of fresh fruits by retail stores is expected to continue to increase over the next few years.

-- Fresh and Frozen meat. On average, the ratio of direct and indirect beef imports by Taiwan's hypermarkets is 40:60. Supermarkets currently do not import beef directly but buy from local importers. Almost 100 percent of pork is purchased by supermarkets and hypermarkets from local pork processors/wholesalers.

-- Fresh and Frozen seafood. It is estimated that approximately 2% of seafood is imported directly by retail stores. The remaining is sold to retail stores through importers, wholesalers, and distributors.

-- Private Label. To offer differentiation and to increase markups, many of Taiwan's retail chains, including 7-Eleven, Makro, Wellcome, Aimai-Geant, Costco, and Tesco, are aggressively promoting private label products (both imported and domestically produced). As the average selling price of private label products is 15-20% lower than branded items, they are increasing in popularity in the market.

II . Taiwan Retail Store Profile

Major Hypermarket Store Profile

Retailer and Outlet Type	Sales 2000 (US\$mil)	Growth Rate	2000 No. of Outlets	Ownership
Carrefour Hypermarket	1,387	11%	24 (25)	Carrefour (French)/ Uni-President Group (Taiwan)
RT Mart Hypermarket	574	62%	16 (18)	Auchan SA Group(French) RT Mart (Taiwan)

Makro Warehouse	445	-21%	8 (8)	Makro (Dutch) Taiwan
Aimai-Geant Hypermarket	423	21%	10 (10)	Casino Group (French) FarEastern Dept. Store Group (Taiwan)
Costco Warehouse	**	**	3 (3)	Costco (US)/President Enterprise Group(Taiwan)
Tesco Hypermarket	**	**	1 (1)	Tesco (UK)
Dollars Hypermarket	**	**	3 (3)	President Enterprise Group (Taiwan)

Source: *Distribution News; Retailing Mart*

*Figures inside the parentheses represent No. of outlets as of July 2001. ** Not available.

Major Supermarket Store Profile

Retailer	Sales 2000 (US\$mil)	Growth Rate	2000 No. of Outlets	Ownership
Wellcome	310	8%	105 (107)	Dairy Farm International (Hong Kong)
Sung Ching/ Marukyu	154	18%	64(66)	Fressay (Japan)/Wei Chuan Foods (Taiwan)
Taipei Agr. Mkt Corp	109	-5%	19(19)	Taiwan authorities Taiwan Farmers Asso.
Sinon	75	-12%	24(23)	Sinon Corporation (Taiwan)
Huey Yang	67	5%	21(23)	Kasumi (Japan)/Shin Tong Yang Food (Taiwan)
Sun-Mart	**	**	5(6)	Hotai (Toyota) Motor (Taiwan)

Source: *Distribution News; Retailing Mart*

*Figures inside the parentheses represent number of outlets as of July 2001.

**Not available.

Major Convenience Store Profile

Retailer	Sales 2000 (US\$mil)	Growth Rate	2000 No.of Outlets	Ownership
7-Eleven	1848	15%	2641 (2825)	7-Eleven (Japan) Uni-President (Taiwan)
Family Mart	505	23%	1011 (1090)	Family Mart (Japan)/ Taiwan
Hi-Life	258	18%	712 (712)	Kun Chuan Dairy Farm (Taiwan)
Circle K (OK)	249	31%	608 (613)	Circle-137 (U.S.)/ Fengchun Group (Taiwan)
Niko Mart	118	7%	261 (269)	Tayshan Enterprise Group (Taiwan)

Source: *Distribution News; Retailing Mart*

*Figures inside the parentheses represent number of outlets as of July 2001.

U.S. companies wishing to promote their new-to-market or already in the market products in Taiwan's retail stores are encouraged to contact store buyers directly. Taiwan's major retail chains usually maintain a team of buyers by product categories. However, it is recommended that you initially contact the team leaders and food directors/managers to introduce your company and products to be promoted. After further contacts, these retail chains might purchase and import directly or import through a designated importer.

-- In 2000, Taiwan Makro restructured by shifting from a hypermarket format to the cash-and-carry niche. They switched their target customers from general consumers to the food service sector. Makro is now seeking any products that are of interest to local hotels, restaurants, and other institutional buyers.

-- Costco which is aiming at attracting middle class consumers, has adopted a unique marketing strategy of displaying not more than 5,000 items at its stores.

-- Wei Chuan Foods Group's two supermarket chains, Sung Ching and Marukyu, joined in a strategic alliance with each other in late 2000. The two chains formed a joint purchasing team. Team members meet weekly to discuss joint purchasing plans.

-- The two-year-old Sun-Mart supermarkets are concentrated in the urban Taipei Metropolitan area. Therefore, their products tend to be high-end items. Organic offerings and the high percentage of fresh produce (56%-58%) in the stores are its characteristics. The company is committed to buying an increasing percentage of fresh produce directly.

-- Taiwan 7-Eleven is expanding its direct imports of new-to-market products. It imported directly over 20 items, including wine and popcorn, at the end of 2000. It also imported directly 17 different types of soft drinks and snack foods from the United States, Australia, and Philippines. 7-Eleven sponsored a new product presentation for the media in July 2001.

-- Family Mart, Hi-Life, OK and Niko-Mart jointly formed a new company, CVS.COM Co., Ltd., in October 2000. Part of the objective of this newly-established company is to seek new products to be sold in the four convenience store chains. U.S. companies are encouraged to contact the company directly.

-- Uni-President Dream Parks Co. was formed on May 1, 2000 by the Uni-President Group (Taiwan's largest food company which owns 7-Eleven and Carrefour). The company mainly looks for "trendy" products to be sold through 7-Eleven and other convenience stores.

III. Further Information

If you have any questions or comments regarding this report or need assistance exporting to Taiwan, please contact the U.S. Agricultural Trade Office in Taiwan at the following address:

Agricultural Trade Office Taipei
American Institute in Taiwan
54 Nanhai Road
Taipei, Taiwan
Tel: (886-2) 2305-4883
Fax: (886-2) 2305-7073
e-mail: ato@mail.ait.org.tw
Homepage: <http://ait.org.tw/ait/AGRI/ATO.htm>